

## **FISCAL NOTE**

### **HB 2036**

February 7, 2002

#### **SUMMARY OF BILL:**

- Provides for the continuation of Tennessee inheritance and estate taxes, regardless of any changes in federal laws. Under current law:
  - If the federal estate tax were repealed, the federal state death tax credit and the Tennessee estate tax would subsequently be abolished.
  - There is an estate tax equivalent to the excess of the federal state death tax credit over the Tennessee inheritance tax.
- Limits the claim period for refunds of franchise and excise tax to 1 year from December 31st of the year the taxes were paid. Current franchise and excise tax laws allow 3 years for claims for refunds.
- Clarifies current law to assure that local governments have the authority to impose a sales tax or privilege tax on hotels, motels and rooming houses if such tax is levied pursuant to a general law or a private act.

#### **ESTIMATED FISCAL IMPACT:**

**Increase State Revenues - Exceeds \$100,000**

**Increase State Expenditures - \$22,000 One-Time**

**Other Fiscal Impact - Passage of the bill would prevent a decrease in state revenues of approximately \$2.5 million in the first year increasing to over \$10 million by the end of the fourth year based on the federal estate tax law changes that became effective January 1, 2002.**

Estimate assumes the following:

- An increase in state revenues that is estimated to be greater than \$100,000 based on the franchise and excise tax law provisions contained in the bill. Limiting the refund period would likely eliminate some refunds that would otherwise have been requested.
- A one-time increase in state expenditures of \$22,000 resulting from MIS system change implementation costs in the Department of Revenue.

#### **CERTIFICATION:**

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James A. Davenport, Executive Director

**HB 2036**